

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

OPIC-03 LAB-04 SIL-01 AGR-05 /086 W

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P R 281430Z FEB 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 7936

INFO AMEMBASSY LONDON

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 1521

E.O.11652: GDS

TAGS: ETRD, EAGR, BR

SUBJECT: AMBASSADOR'S CONVERSATIONS ON COFFEE

REF: STATE 36609

1. SUMMARY: SEVERO GOMES, MINISTER OF INDUSTRY AND COMMERCE, TOLD AMBASSADOR FEBRUARY 25 GOB ATTACHED IMPORTANCE FORTHCOMING TALKS BETWEEN US OFFICIALS AND IBC PORESIDENT, WHO CAUTIOUSLY OPTIMISTIC ON PROSPECTS FOR NEW AGREEMENT. END SUMMARY.

2. IN DISCUSSION WITH AMBASSADOR, FEBRUARY 25, XEVERO GOMES, MINISTER OF INDUSTRY AND COMMERCE, SAID GOB PLEASED WITH CONVERSATION BOCA RATON BETWEEN JOHN INGERSOLL AND IBC PRESIDENT CALAZANS DE MAGALHAES. GOB NOW BELIEVE USG GENUINELY INTERESTED IN COFFEE AGREEMENT, LOOKS FORWARD TO DISCUSSIONS BETWEEN CALZANS DE MAGALHAES AND DEPUTY ASSISTANT SECRETARY JULES KATZ NEXT MONTH. GOMES INTIMATED THAT HE PERSONALLY MIGHT CONSIDER JOING TALKS.

3. AMBASSADOR EXPRESSED SATISFACTION, SAID USG FOR ITS
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PART HAD NOT BEEN SURE GOB WISHED TO PROCEED

WITH NEW AGREEMENT AT THIS TIME. GOMES REAFFIRMED GOB'S STRONG INTEREST. IN RESPONSE TO AMBASSADOR'S QUESTION ON BRAZIL'S EXPORT PROSPECTS, HE MADE CLEAR THAT GOB WAS SEEKING TO MAXIMIZE EXPORTS. (SIMILAR RESPONSE WAS GIVEN TO ECON COUNSELOR BY SOUTO MAIOR OF FOREIGN MINISTRY) WHILE SERIOUSLY INTERESTED IN NEW AGREEMENT, GOB WOULD NOT CURTAIL ITS EXPORT DRIVE NOW BEFORE AGREEMENT IS ACTUALLY REACHED: WERE GOB TO DO SO, IT WOULD ONLY WEAKEN ITS BARGAINING POSITION.)

4. IN RELATED DEVELOPMENT, DURING MEETING WITH CONGENRIO OFFICERS, WHO DELIVERED LETTER REFTTEL, CALAZENS DE MAGALHAES SAID HE EXPECTS TO VISIT US BEGINNING MID-MARCH, WOULD APPRECIATE OPPORTUNITY TO MEET WITH KATZ.

5. DISCUSSING RECENT MEETING AT BOCA RATON, CALAZANS CRITICIZED REPORTERS FOR MANNER IN WHICH THEY HAD REPORTED HIS PUBLIC INTERVIEW FOLLOWING PRODUCER MEETING. NEVERTHELESS, HE CONFIRMED TWO BASIC POINTS PUBLISHED BY THE PRESS: 1) HE DOES BELIEVE THAT EXCESSIVE CENTRAL AMERICAN EXPORTS RUINED PRODUCER ATTEMPTS TO SUPPORT INTERNATIONAL COFFEE PRICES, AND 2) IBC DISCOUNTS ARE APPROACHING AND MAY EXCEED COFFEE EXPORT TAX (QUOTA DE CONTRIBUICAO), IN WHICH CASE IBC MAY BE FORCED TO SUBSIDIZE COFFEE EXPORTS. HE ALSO EXPRESSED OPINION THAT SALVADOR MEETING SHOULD NOT HAVE BEEN CALLED UNTIL A CONSENSUS HAD BEEN REACHED AMONG PRODUCERS. HE IMPLIED, BUT DID NOT STATE DIRECTLY, THAT MEETING PRODUCED NO MEANINGFUL RESULTS. BRAZIL WOULD CONTINUE ITS EXPORT POLICIES, EXPECTING TO SHIP APPROXIMATELY 14.6 MILLION BAGS OF GREEN COFFEE DURING OCTOBER 1974-SEPTEMBER 1975 COFFEE YEAR.

6. ASKED ABOUT POSSIBILITIES FOR NEW ICA, CALAZANS EXPRESSED CAUTIOUS OPTIMISM. (CURRENT PRESS REPORTS CLAIM NEW ICA MAY BE CONCLUDED BY MID-YEAR. POSITIVE ATTITUDE BEING DEMONSTRATED BY USG AT LONDON MEETING IS CITED AS GROUNDS FOR THIS OPTIMISM.) BRAZIL, HE STATED UNHESITATINGLY, DESIRES A NEW ICA. HE BELIEVES AN AGREEMENT CAN BE REACHED FOR CREATION OF A BUFFER STOCK, TO GUARANTEE SUPPLY, IN RETURN FOR MORE STABLE INTERNATIONAL PRICES, BUT ADMITTED CONFIDENTIAL

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THAT HE WAS NOT COMMITTED TO ANY SPECIFIC FORMULA. RATHER, HE URGED THAT US AND BRAZIL, AS WORLD'S LARGEST CONSUMER AND PRODUCER, REACH MUTUALLY SATISFACTORY BILATERAL AGREEMENT. OTHER PRODUCERS AND CONSUMERS, HE FEELS, COULD SUBSEQUENTLY BE INDUCED TO ACCEPT SUCH AN AGREEMENT AS BASIS FOR NEW ICA. (THE DESIRABILITY OF US-BRAZILIAN BILATERAL TALKS HAS ALSO BEEN A PERSISTENT THEME OF SOUTO MAIOR IN INFORMAL CONVERSATIONS WITH ECON COUNSELOR OVER PAST TWO MONTHS.)

7. COMMENT: CALAZANS DE MAGALHAES APPARENTLY HAS CONCLUDED THAT: 1) PRODUCERS CANNOT ACHIEVE AGREEMENT ON MEANINGFUL RETENTION SCHEME CAPABLE OF PROVIDING DESIRED IMPACT ON PRICES, AND 2) A NEW ICA IS BEST ALTERNATIVE FOR PROMOTING BRAZIL'S NATIONAL INTERESTS. PROJECTION OF ONLY 14.6 MILLION BAG EXPORT, ESPECIALLY WHEN COMBINED WITH DEPRESSED PRICES, UNDOUBTEDLY IS A STIMULUS FOR ACHIEVEMENT OF SOME MECHANISM FOR DISCIPLINING MARKET. MOREOVER, CALAZANS SEEMS TO HAVE DECIDED THAT MARKET WILL CONTINUE TO DETERIORATE UNLESS SOME MEANS IS FOUND TO STABILIZE THE TRADE.

8. DEPARTMENT ALSO NOTE AGATT UNCLASSIFIED REPORT CALAZANS DE MAGALHAES STATEMENT TO PRESS (AG REPORT BB 5010, FEBRUARY 20, 1975).
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